

POLS 227

Africa in World Politics

Classes 5 & 6:

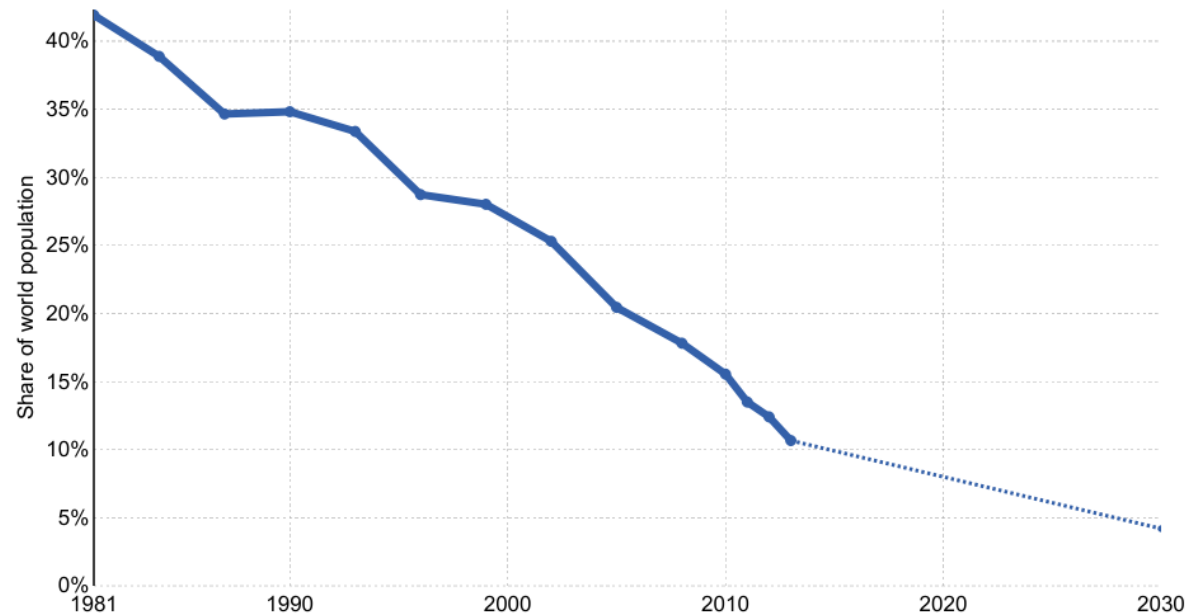
Poverty, development, and globalization

Map quiz!

Global poverty trends

Share of the world population living in extreme poverty, 1981 to 2030

Share of population living in below the International Poverty Line (1.90 International Dollars). Figures account for cross-country differences in prices levels, as well as for inflation. Projection for 2030 is based on the assumption that the average growth rates of consumption in all countries will be the same as the observed average growth rates from the previous 10 years.



Source: Poverty headcount 1981-2030 - PovcalNet World Bank

OurWorldInData.org/extreme-poverty/ • CC BY-SA

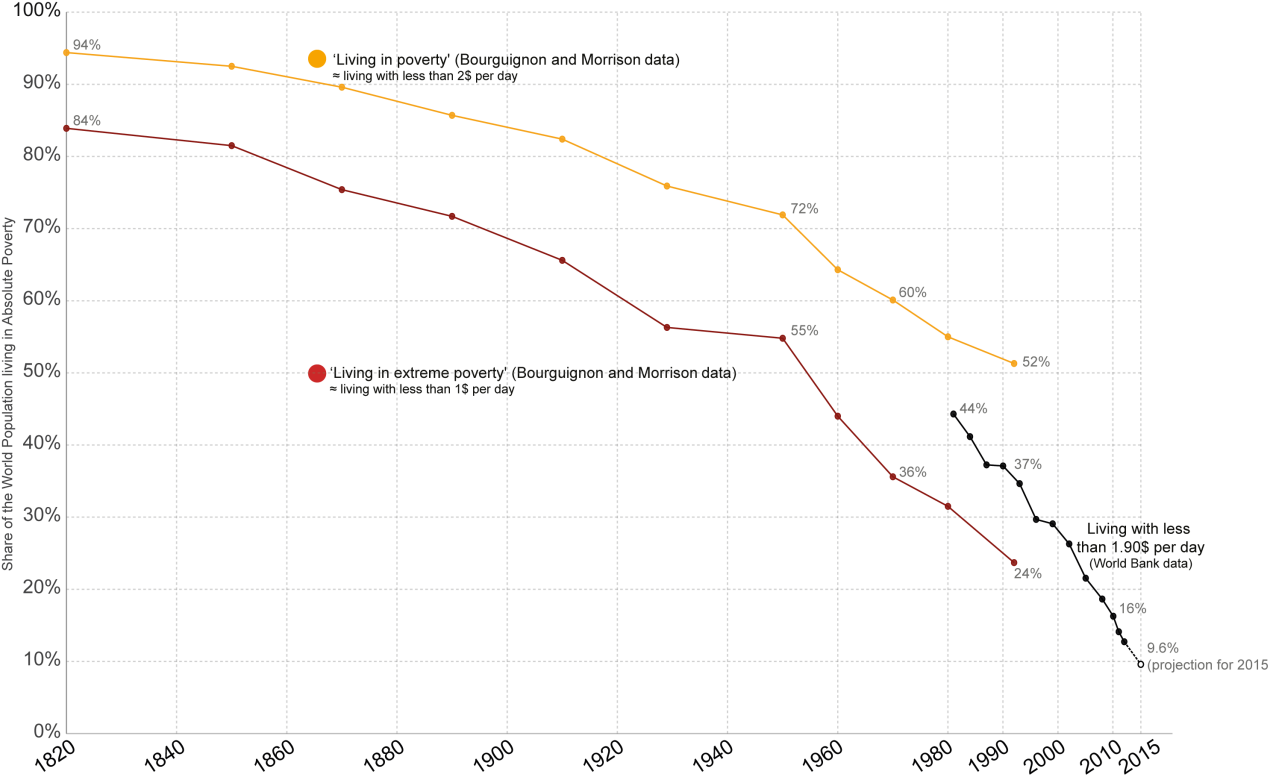
Note: The projected figure for 2030 also assumes that the dispersion in the distribution of consumption in each country remains unchanged from the most recent available data.

Global poverty trends

Our World
in Data

Share of the World Population living in Absolute Poverty, 1820-2015

All data are adjusted for inflation over time and for price differences between countries (PPP adjustment).



Data sources: 1820-1992 Bourguignon and Morrison (2002) - Inequality among World Citizens, In The American Economic Review; 1981-2015 World Bank (PovcalNet)

The interactive data visualisation is available at OurWorldinData.org. There you find the raw data and more visualisations on this topic.

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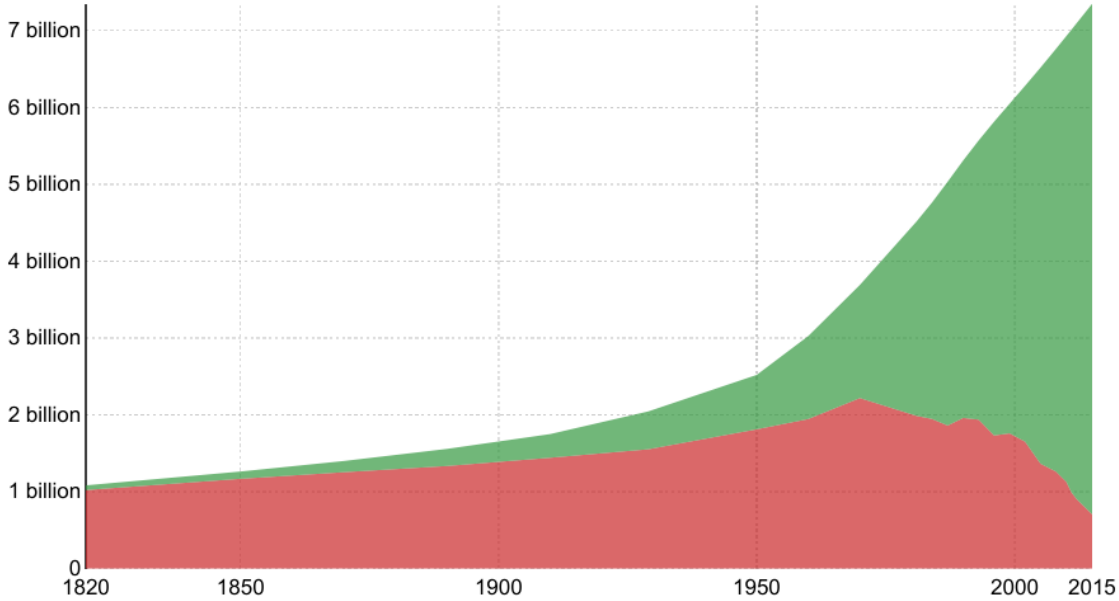
Global poverty trends

World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International \$ are adjusted for price differences between countries and for price changes over time (inflation).



Number of people living in extreme poverty Number of people not in extreme poverty



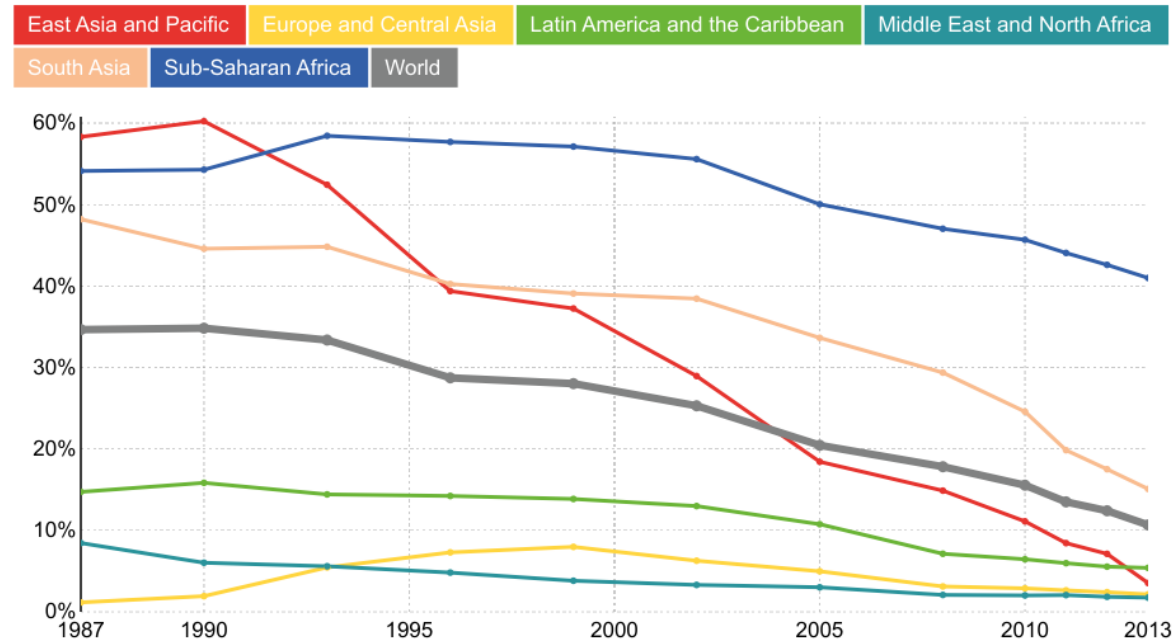
Source: World Poverty in absolute numbers (Max Roser based on World Bank and Bourguignon and Morrisson (2002))
OurWorldInData.org/extreme-poverty/ • CC BY-SA

Global poverty trends: regional variation

Share of the population living in extreme poverty, by world region, 1987 to 2013

Our World
in Data

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries.



Source: Share of the population living in extreme poverty by world region - PovcalNet World Bank

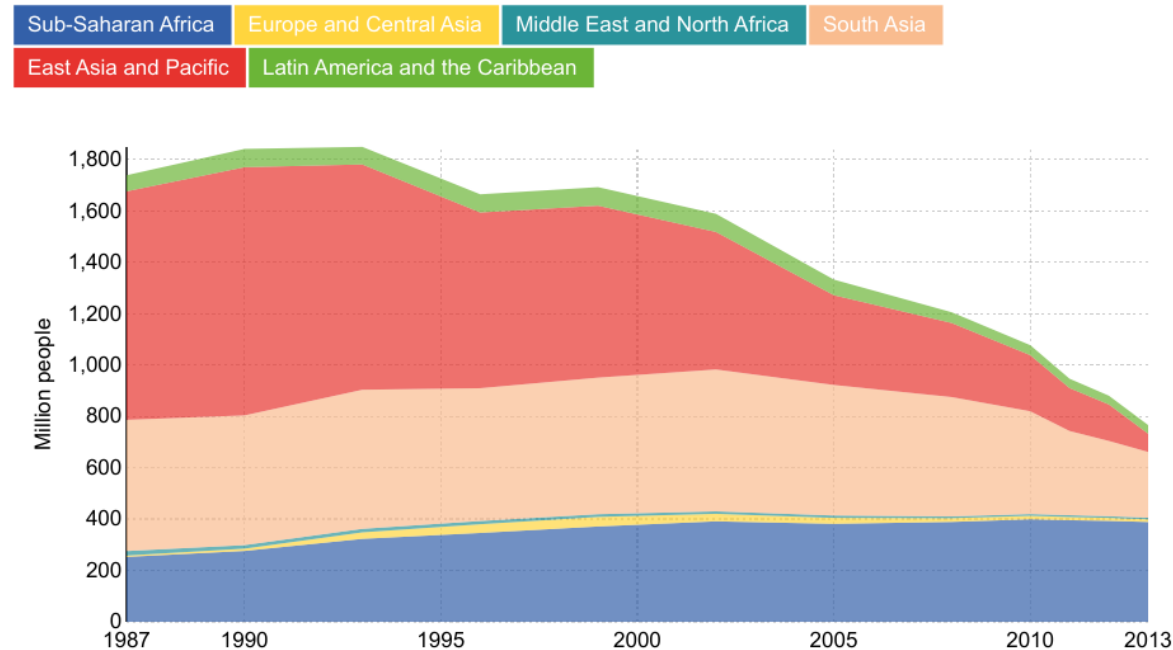
OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption per capita is the preferred welfare indicator for the World Bank's analysis of global poverty. However, for about 25% of the countries, estimates correspond to income, rather than consumption.

Global poverty trends: regional variation

Total population living in extreme poverty, by world region, 1987 to 2013

Numbers are in millions of people. Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries.



Source: World Poverty Absolute Number by Region - PovcalNet (World Bank)

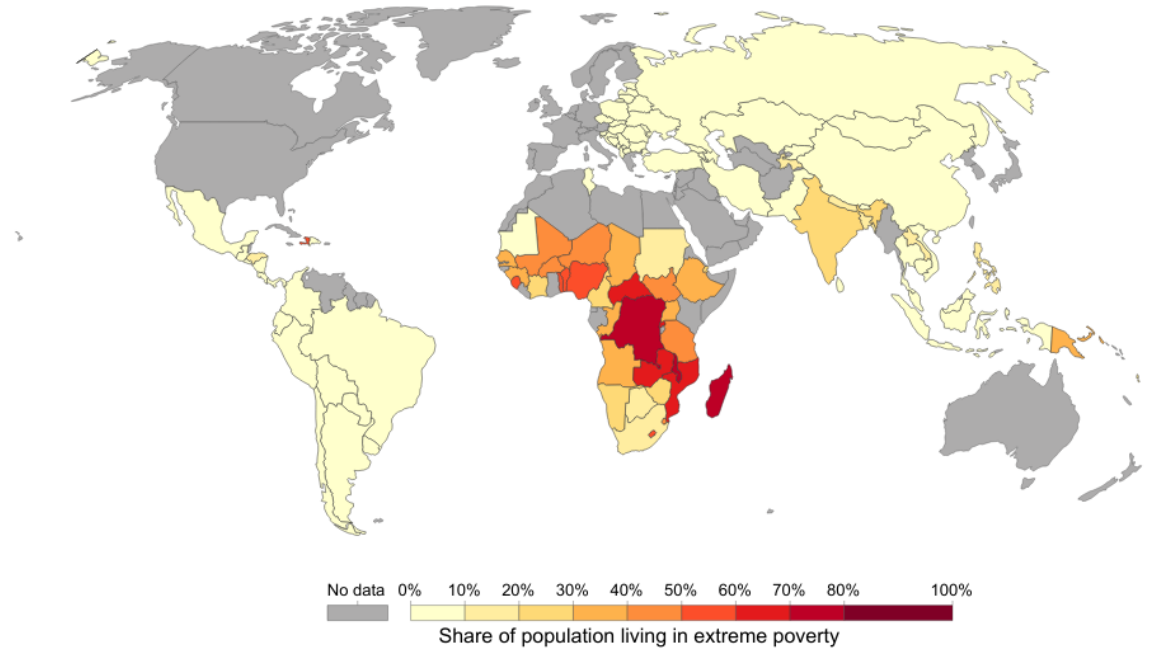
OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption per capita is the preferred welfare indicator for the World Bank's analysis of global poverty. However, for about 25% of the countries, estimates correspond to income, rather than consumption.

Geographic distribution of poverty

Share of the population living in extreme poverty, 2014

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).



Source: Poverty - WORLD BANK (WDI - 2017/02)

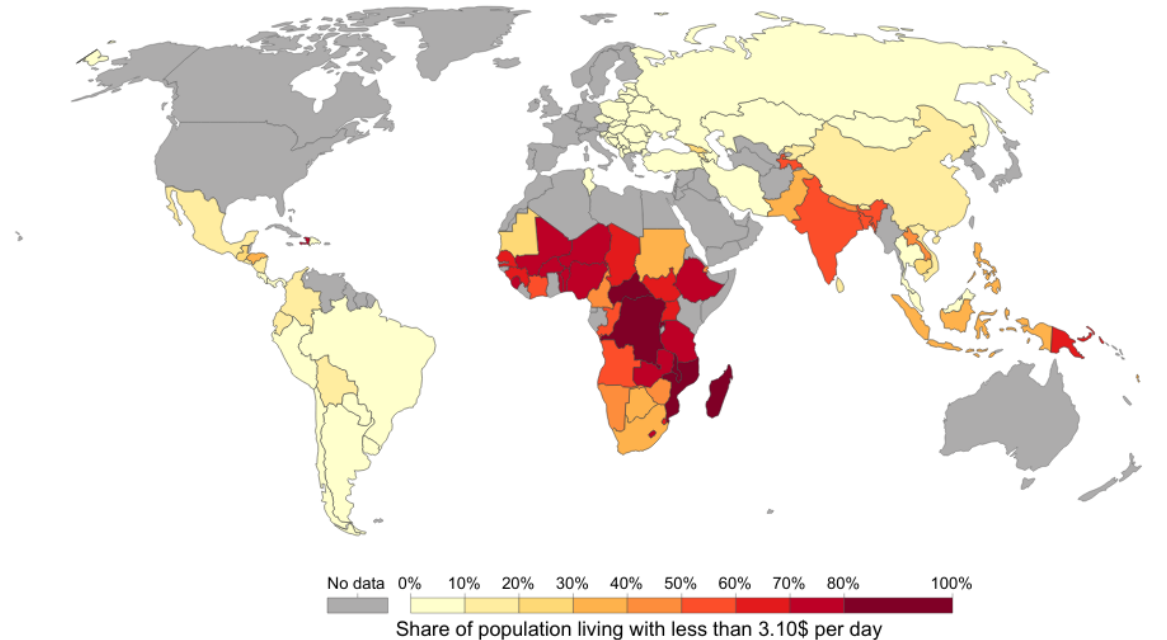
OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption in each country is adjusted for inflation over time and for price differences between countries and expressed in 2011 PPP international dollars.

Geographic distribution of poverty

Share of population living with less than 3.10 int.-\$ per day, 2014

Share of population living with per capita household consumption below 3.10 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).



Source: Poverty - WORLD BANK (WDI - 2017/02)

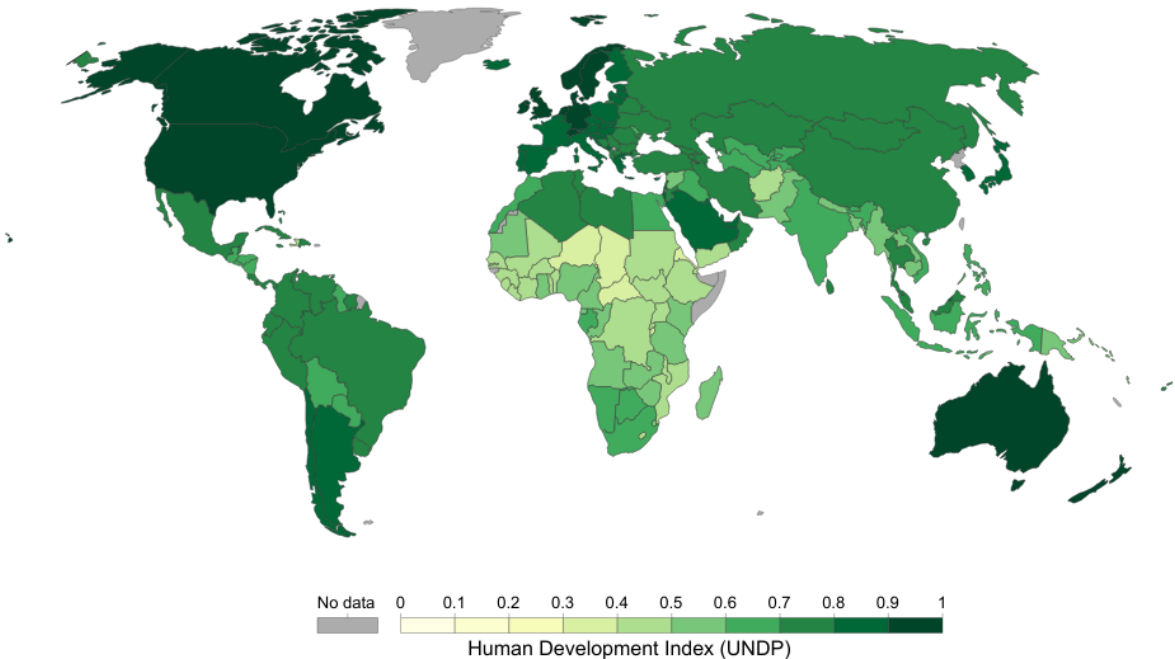
OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption per capita is the preferred welfare indicator for the World Bank's analysis of global poverty. However, for about 25% of the countries, estimates correspond to income, rather than consumption.

Geographic distribution of development

Human Development Index, 2014

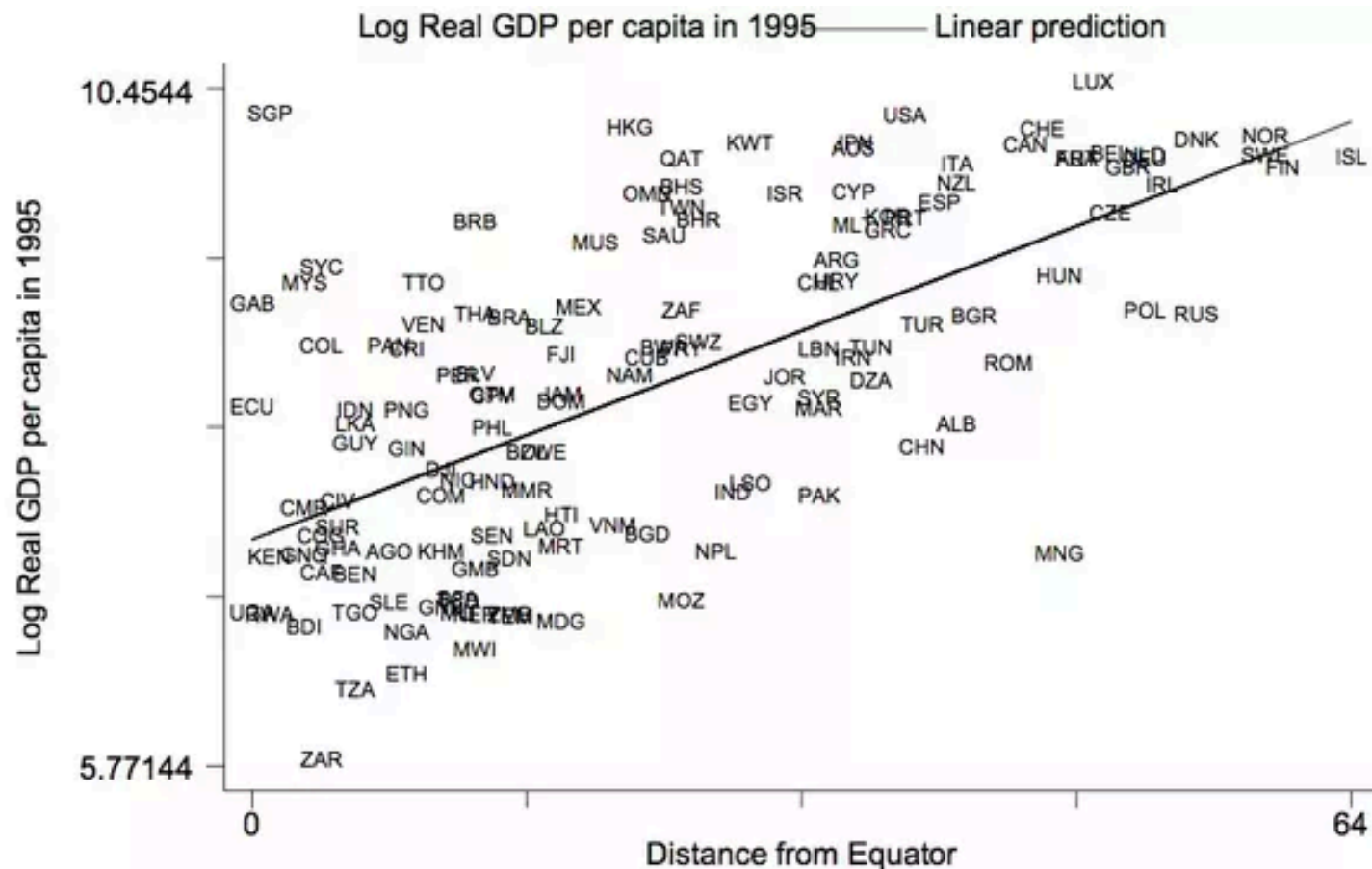
The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.



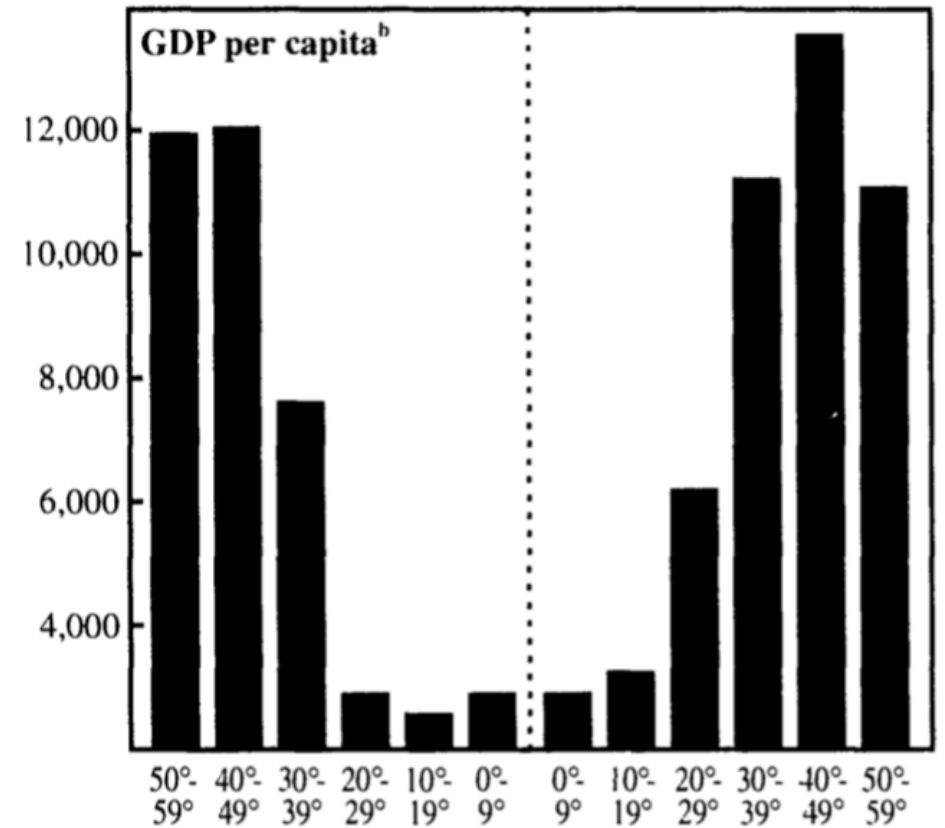
Source: Human Development Index (UNDP)

OurWorldInData.org/human-development-index/ • CC BY-SA

Geographic distribution of development



International dollars



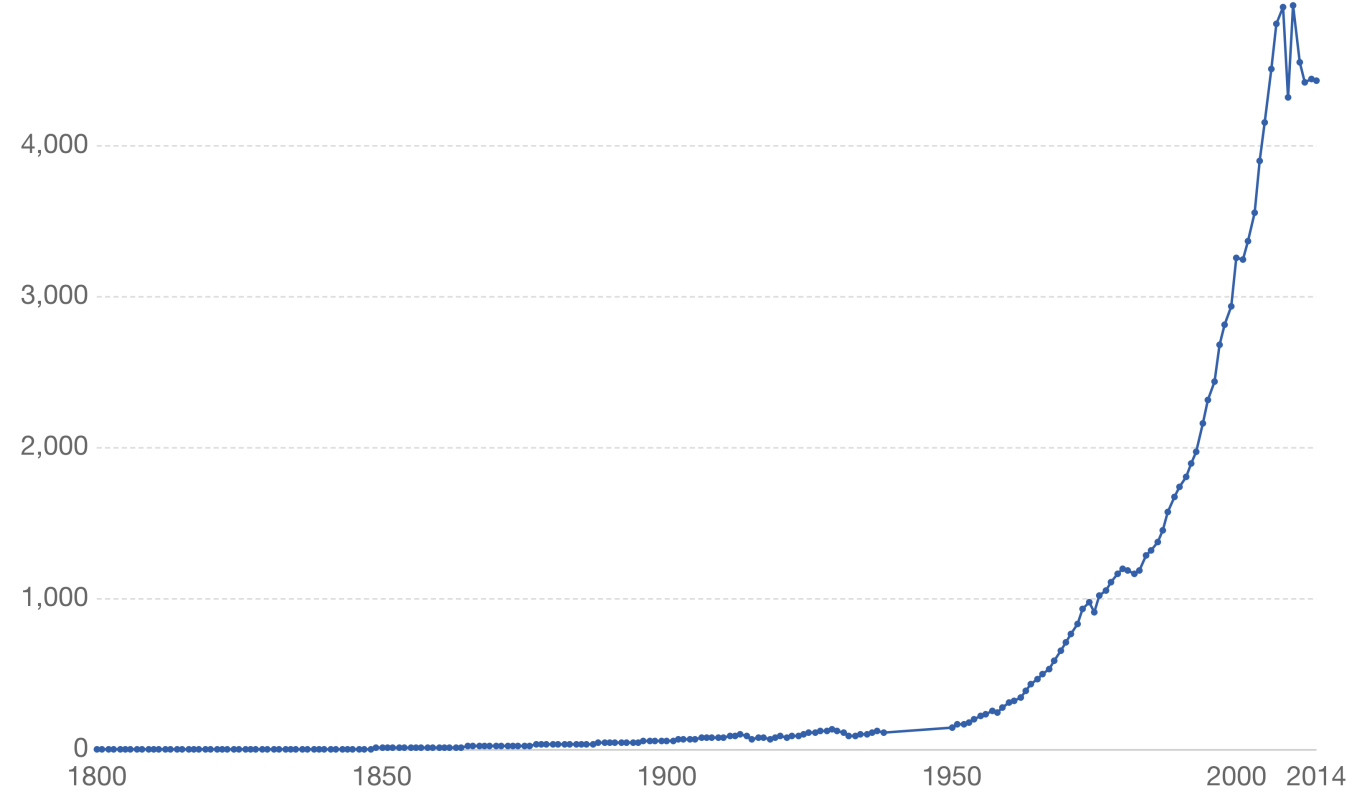
Is development the inverse of
poverty?

What explains these
global trends?

Development and globalization

The value of global exports

Time series of value of world exports at constant prices, relative to 1913 (i.e. values correspond to world export volumes indexed at 1913=100)



Source: Federico and Tena-Junguito (2016)

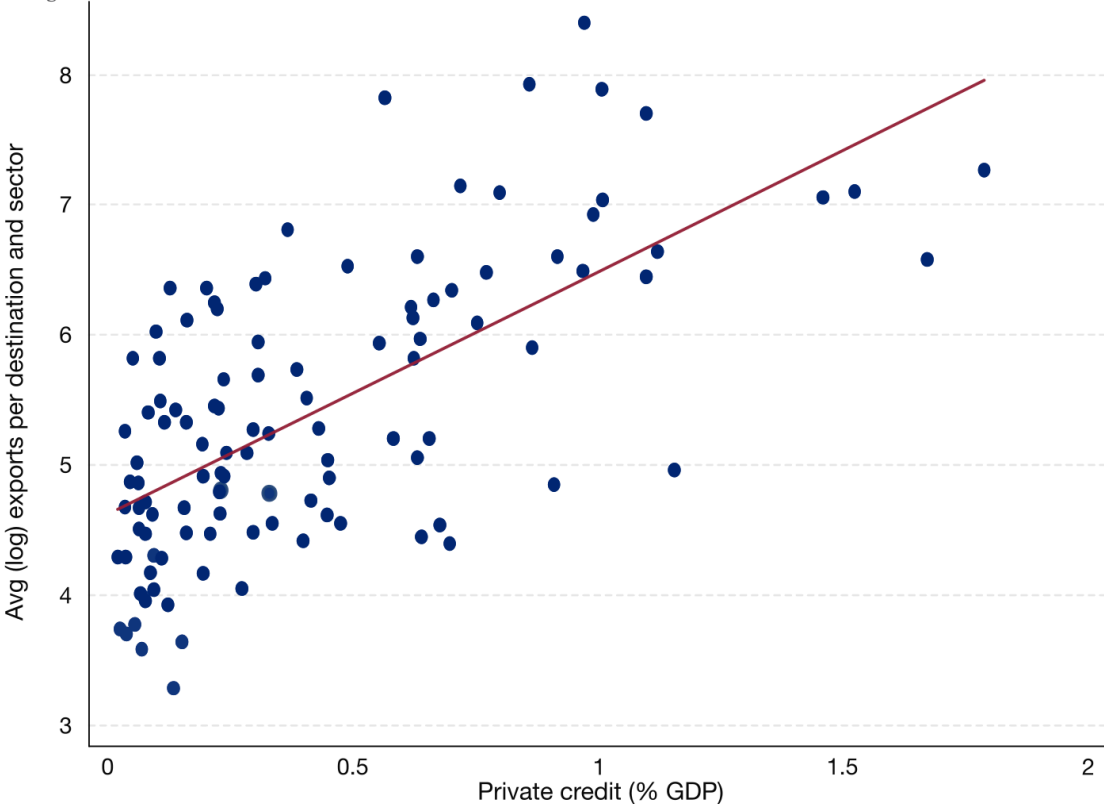
Does globalization cause
development?

Does development cause
globalization?

Institutions, development, and globalization

Cross-country correlation between private credit and exports, 1995

The figure plots exporters' average (log) bilateral exports across destinations and sectors, against exporters' private credit as a share of GDP, in 1995. This chart plots only exporter-importer-sector triplets with positive trade, from a matrix covering 161 countries in 27 manufacturing sectors

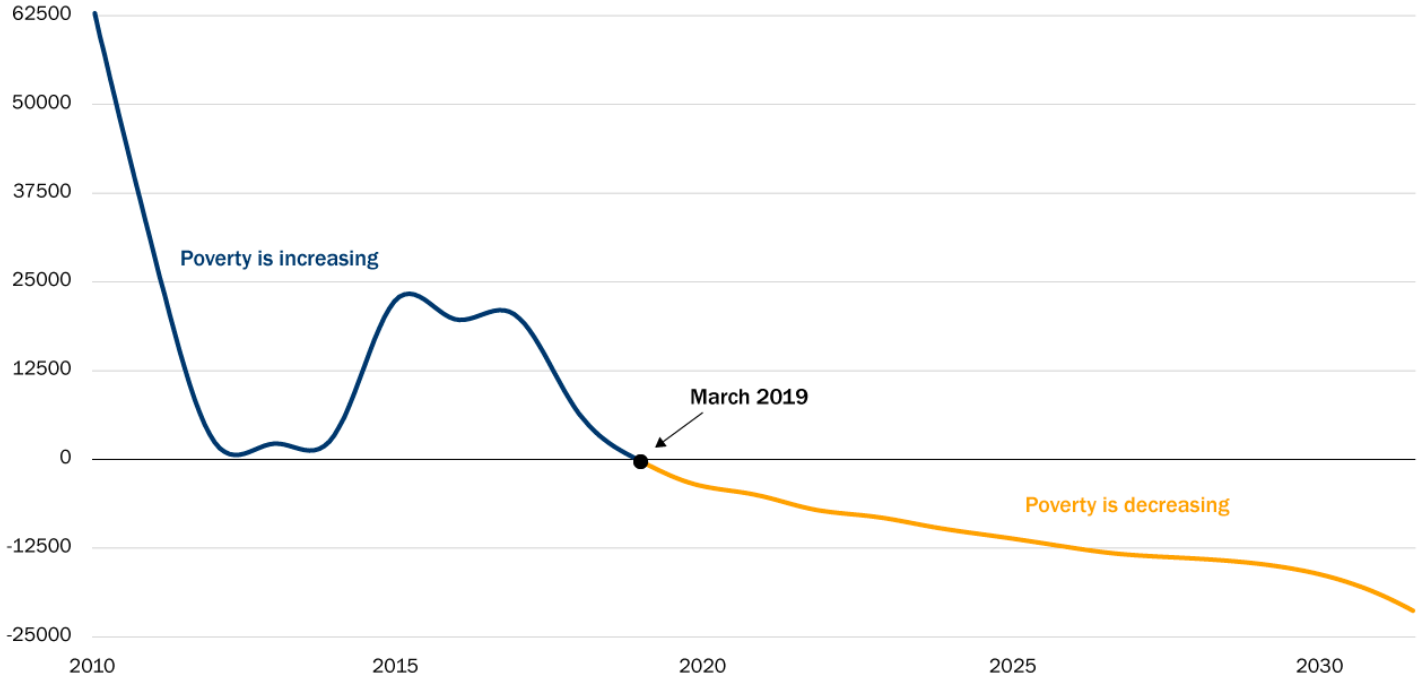


Source: Manova, Kalina (2013). "Credit constraints, heterogeneous firms, and international trade." The Review of Economic Studies.
This is a visualization from OurWorldinData.org, where you find data and research on how the world is changing. Licensed under CC-BY-SA by the authors Esteban Ortiz-Ospina and Diana Beltekian

Poverty trends in Africa

Figure 1: At last, poverty is falling in Africa

African daily change in extreme poverty



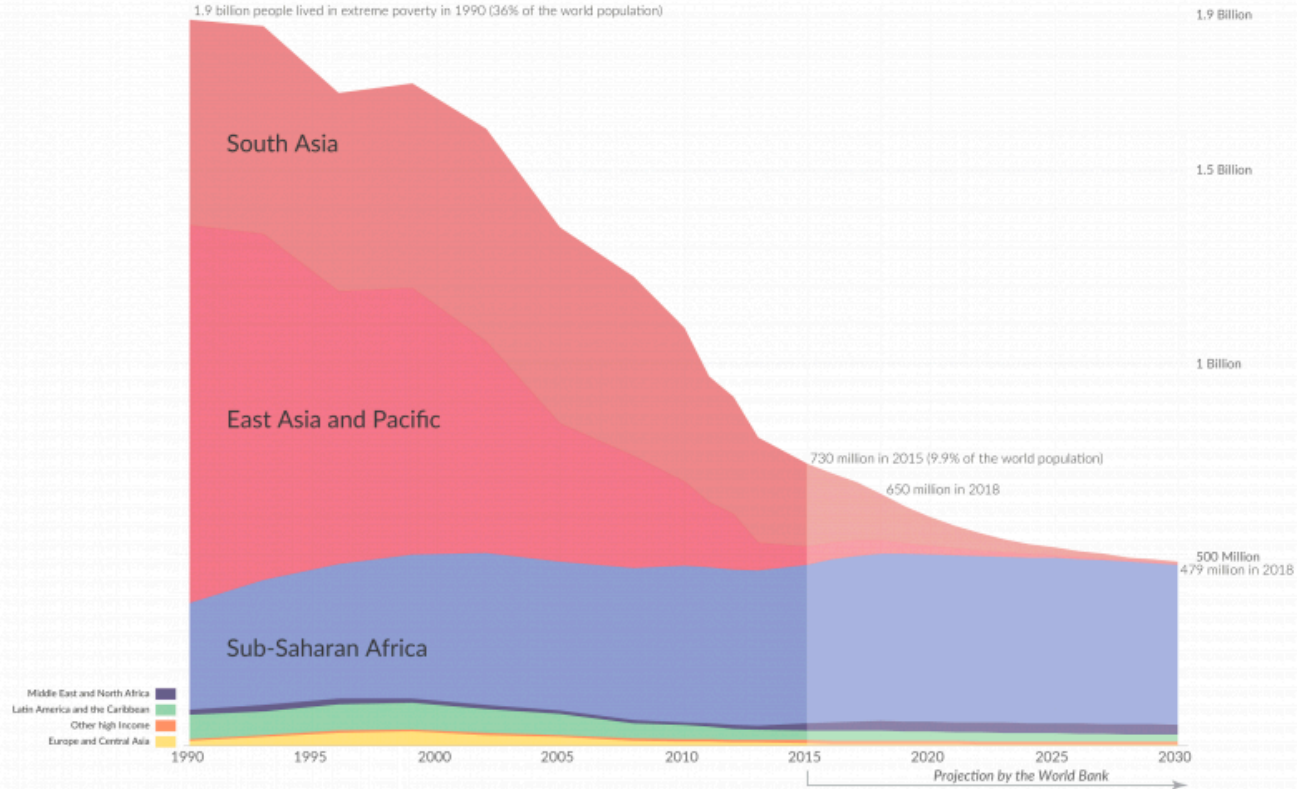
Source: World Data Lab

Poverty trends in Africa

The number of people in extreme poverty – including projections to 2030

Extreme poverty is defined by the 'international poverty line' as living on less than \$1.90/day. This is measured by adjusting for price changes over time and for price differences between countries (PPP adjustment). From 2015 to 2030 the World Bank's projections are shown.

Our World
in Data

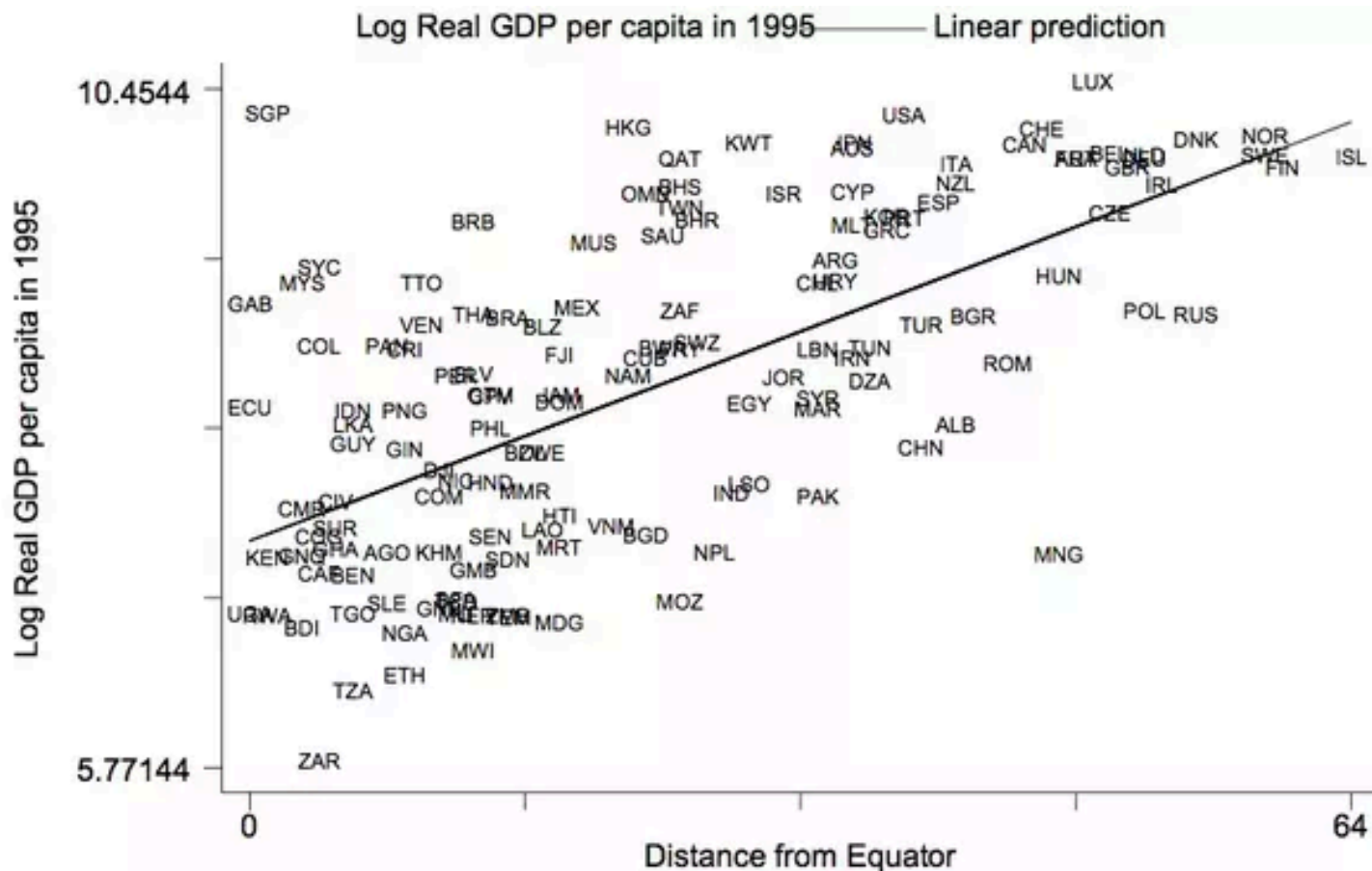


Data source: World Bank data from 1990 to 2015. The projections from 2015 to 2030 are published in the World Bank report Poverty and Shared Prosperity 2018. This is a visualization from OurWorldinData.org, where you find data and research on how the world is changing. Licensed under CC-BY by the author Max Roser.

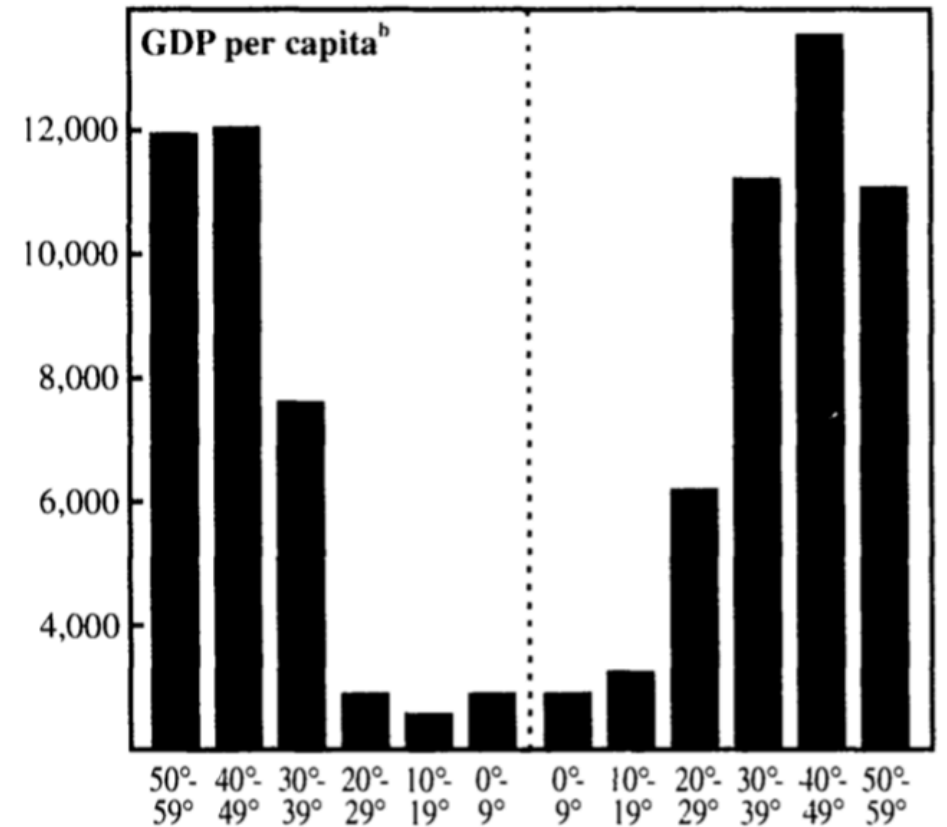
Why is Africa an outlier?

What are the causes of Africa's poverty?

Geographic determinism



International dollars



Geographic determinism

- Bloom et al.:
 - “At the root of Africa's poverty lies its extraordinarily disadvantageous geography, which has helped to shape its societies and its interactions with the rest of the world.”
 - Bloom, David E., Jeffrey D. Sachs, Paul Collier, and Christopher Udry. 1998. “Geography, Demography, and Economic Growth in Africa.” *Brookings Papers on Economic Activity* 1998 (2): 207–95.

Geographic determinants of Africa's lack of development according to Bloom et al.

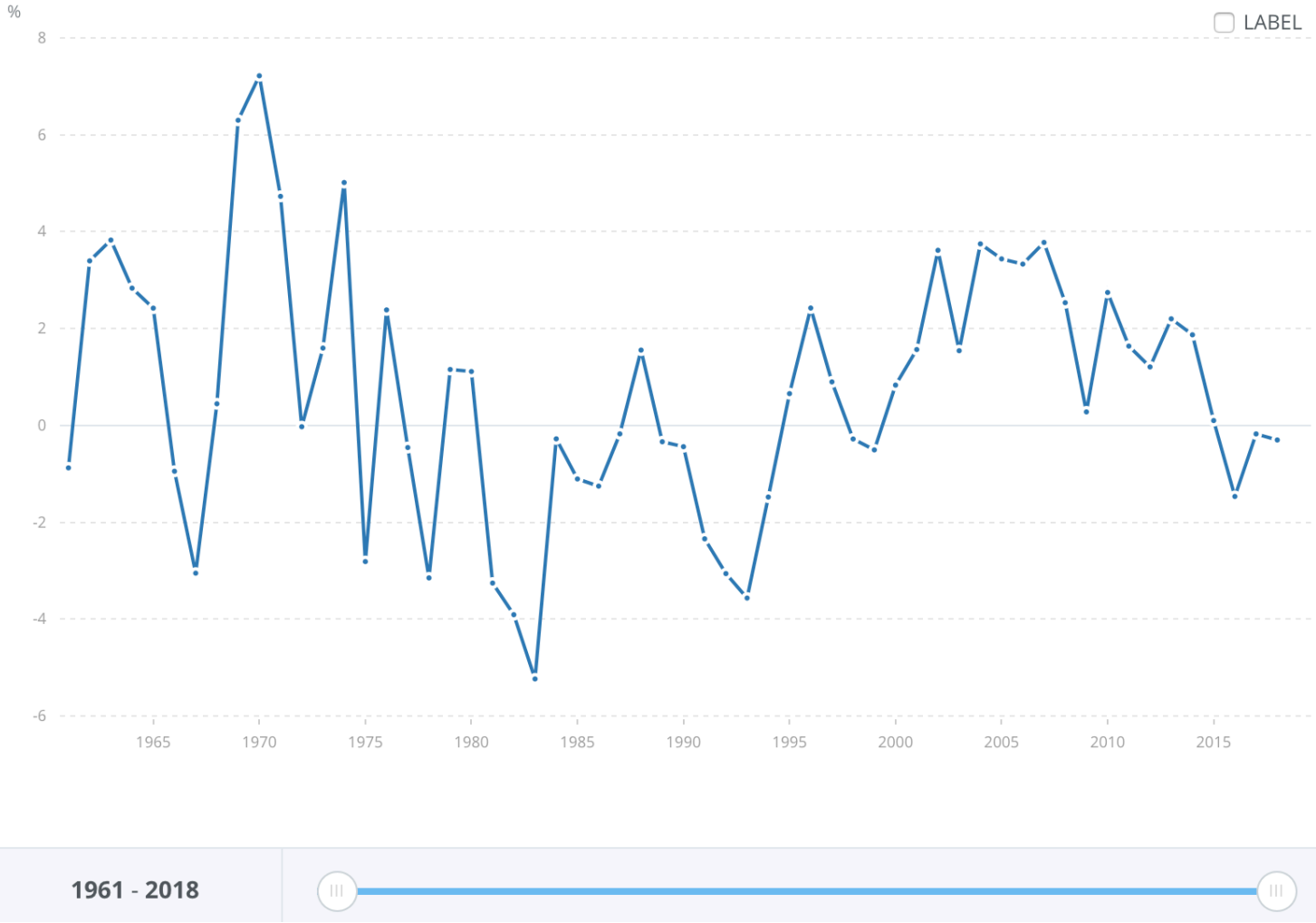
- Agriculture:
 - High evapotranspiration (evaporation + transpiration) +
 - Low and variable rainfall →
 - Low photosynthetic potential
 - Highly weathered soils
 - Veterinary diseases
 - Plant and animal pests
- Human health:
 - Infectious diseases

What are the other exogenous determinants of Africa's lack of development according to Collier and Gunning?

Other exogenous determinants of Africa's lack of development according to Collier and Gunning

- Small economies
- Resource curse
- Ethnic fractionalization
- Distance from markets
- Low population density → barriers to trade
- High population growth and low life expectancy
- Late demographic transition
- AIDS pandemic

Can destiny explain this?



Phases of economic policy in postcolonial Africa

- State-led developmentalism (~1960s)
- Crisis (1970s)
- Structural adjustment and stagnation (1980s and early 1990s)
- Globalization and 'partnership' (from the mid-1990s)

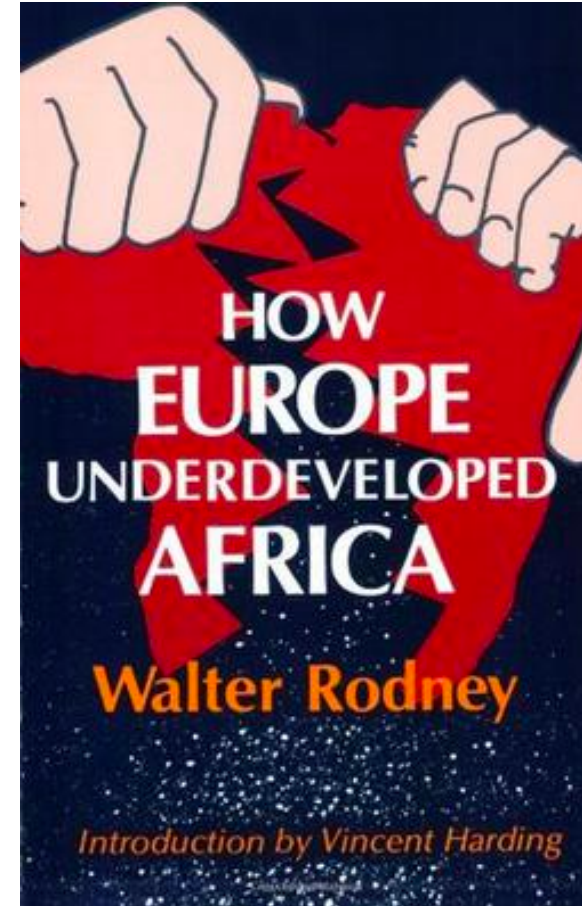
What were African economies like at the time of independence?

African economies at the time of independence

- Mercantilist colonial economic policies → limited industrial capacity
- Agriculture as the dominant sector
- Dependence on primary commodity exports, esp. minerals and cash crops →
- No economic gains from processing and vulnerability to global price volatility

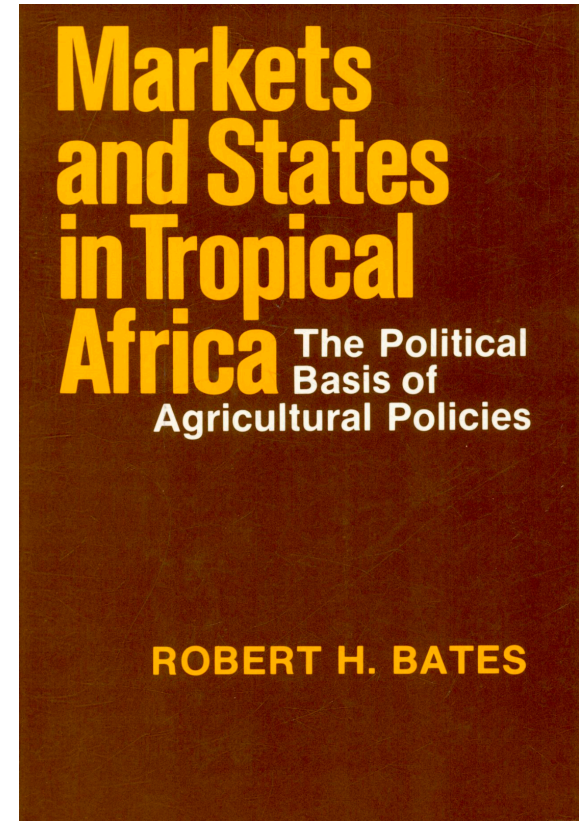
Postcolonial economic policies

- Modernization and the need for industrialization
- Dependency / underdevelopment and the desire to counter colonial legacies
- Congruence of business owner, worker, and government interests (Bates)
- Import substitution industrialization (ISI):
 - Protectionist trade regime
 - State intervention in economy
 - Subsidization of industries and industrialization



The politics of postcolonial economic policies according to Bates

- Economic policies:
 - ISI and increased prices of manufactured goods
 - Taxation of agricultural producers and the use of marketing boards and market regulation to reduce food prices
- Bates' questions:
 - Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - How do governments get away with it?



The politics of postcolonial economic policies according to Bates

- Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?

The politics of postcolonial economic policies according to Bates

- Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - Congruence of business owner and worker interests
 - Urban base of political power

The politics of postcolonial economic policies according to Bates

- How do governments get away with it?

The politics of postcolonial economic policies according to Bates

- How do governments get away with it?
 - Coercion
 - Weak organizational capacity of smallholders
 - Collective vs. personal interests and creation of incentives to accept the status quo →
 - Redistribution and alliance formation →
 - Patronage
 - Entrenchment of private interests over time

Postcolonial policies

- Policies:
 - ISI and urban favoritism
 - Expansion of public employment
 - Establishment of welfare programs
 - Limitations on agricultural production
- Funding:
 - Taxation
 - Seignorage
 - Primary resource exports
 - Loans

Failure of the postcolonial policies

- Continued reliance on primary resources
- Indebtedness
- Political instability

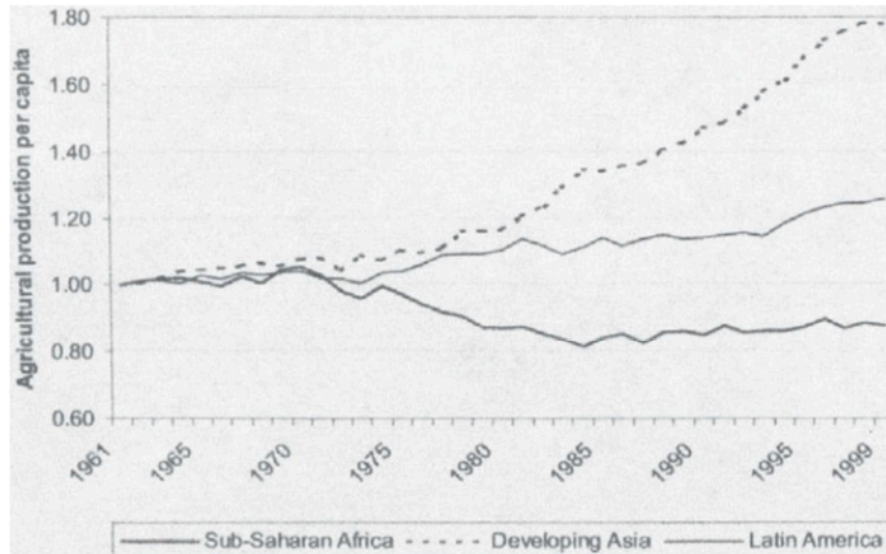


Table 9.2 African export concentration, 1982–86 (countries where one, two, three or four primary products account for over 75 per cent of a state's total export earnings)

One product (15 countries)

Algeria: <i>oil and gas</i>	Angola: <i>oil</i>	Botswana: <i>diamonds</i>
Burundi: <i>coffee</i>	Congo: <i>oil</i>	Gabon: <i>oil</i>
Guinea: <i>bauxite</i>	Libya: <i>oil</i>	Niger: <i>uranium</i>
Nigeria: <i>oil</i>	Rwanda: <i>coffee</i>	São Tomé: <i>cocoa</i>
Somalia: <i>livestock</i>	Uganda: <i>coffee</i>	Zambia: <i>copper</i>

Two products (14 countries)

Cape Verde: <i>fish, fruit</i>	Chad: <i>cotton, livestock</i>	Comoros: <i>vanilla, cloves</i>
Congo-Kinshasa: <i>copper, coffee</i>	Egypt: <i>oil, cotton</i>	Equatorial Guinea: <i>cocoa, timber</i>
Ethiopia: <i>coffee, hides</i>	Ghana: <i>cocoa, bauxite</i>	Liberia: <i>iron ore, rubber</i>
Malawi: <i>tobacco, tea</i>	Mali: <i>livestock, cotton</i>	Mauritania: <i>iron ore, fish</i>
Réunion: <i>sugar, fish</i>	Seychelles: <i>oil, fish</i>	

Three products (8 countries)

Benin: <i>oil, coffee, cocoa</i>	Burkina Faso: <i>cotton, vegetable oil, livestock</i>
Cameroon: <i>oil, coffee, cocoa</i>	Central African Republic: <i>coffee, diamonds, timber</i>
Guinea Bissau: <i>cashews, groundnuts, palm oil</i>	Kenya: <i>coffee, refined oil, tea</i>
Senegal: <i>fish, groundnuts, phosphates</i>	Sudan: <i>cotton, vegetable oil, livestock</i>

Four products (4 countries)

Côte d'Ivoire: <i>cocoa, coffee, refined oil, timber</i>	Madagascar: <i>coffee, cotton, cloves, fish</i>
Sierra Leone: <i>diamonds, cocoa, coffee, bauxite</i>	Togo: <i>phosphates, cocoa, cotton, coffee</i>

More diverse export economies (11 countries)

Djibouti, Gambia, Lesotho, Mauritius, Morocco, Mozambique, South Africa, Swaziland, Tanzania, Tunisia, Zimbabwe

Source: Brown, Michael Barratt. *Africa's Choices: After Thirty Years of the World Bank*. London: Penguin, 1995. 28

Broader context

- Global economic crisis (stagflation, 1973 and 1979 oil crises)
- Lower primary resource prices
- Interest rates increase
- Debt crisis



External response to the crisis

- Neoliberalism
- Washington Consensus
- Structural Adjustment Programs (SAPs)



Structural adjustment reforms

- Reduction of deficits and inflation
- Elimination of seignorage and currency devaluation
- Reduction of public spending, including social expenditures and public sector employment
- Removal of price controls
- Privatization of state-owned banks and enterprises
- Creation of market institutions
- Deregulation and trade liberalization
- Encouragement of foreign direct investment

Impacts of structural adjustment reforms

- Accelerated inflation rates
- Reduction of investment
- Higher food prices
- Lower employment and real wages
- Lower per capita incomes
- Reduction of the quality of public services
- Introduction of user fees for healthcare and education services
- Increased poverty rates
- Poor health, including malnutrition
- Particular impact on women

Table 1. *Macrop performance at the regional level*

	1973–80	1981–85	1985–89	
<i>Sub-Saharan Africa</i>				
Real per capita GDP growth, % per year	+0.1*	-1.0		-0.1
Inflation rate, % per year (consumer prices)	+6.8	+23.1		+21.1
		1981	1985	1989
Investment ratio, % GDP		20.9	18.2	17.7
Government deficit, % GDP		-6.9	-5.4	-7.7
Current account balance, \$billion		-12.9	-3.4	-8.8
<i>Latin America and Caribbean</i>				
	1971–80	1981–85	1985–89	
Real per capita GDP growth, % per year	+3.1	-1.5		+0.6
Inflation rate, % per year	+39.8	+102.8		+260.8
		1981	1985	1989
Investment ratio, % GDP		22.6	17.5	18.2
Government deficit, % GDP		-4.1	-7.1	-15.5
Current account balance, \$billion		-43.6	-2.4	-8.9

Source: IMF, *World Economic Outlook* (April 1989; October 1990).

*GNP per capita.

Stewart, Frances. 1991. "The Many Faces of Adjustment." *World Development* 19 (12): 1847–64.

Globalization and 'partnership'

- The good governance paradigm Poverty Reduction Strategy Papers (PRSPs):
 - Debt relief in exchange for PRSPs
 - Delivery mechanisms in e.g. the US Millennium Challenge Corporation
- Globalization and 'trade, not aid':
 - Bilateral investment treaties (BITs)
 - African Continental Free Trade Agreement (AfCFTA) (2018)
 - China in Africa

China in Africa



<https://www.youtube.com/watch?v=KGhHmYW7FMc>

Can Africa's economic history
help to explain recent trends?

- External links
- Political interests and coalitions
- Accountability